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ABSTRACT

Federal welfare funding through the Temporary Assistance for Needy Families (TANF) block grant gives states flexibility to help low income parents move into employment. However, the law discourages states from allowing welfare recipients to participate in education and training programs. These restrictions are at odds with recent research findings. This paper addresses: "Welfare Recipients, Skills, and Employment"; "Which Welfare-To-Work Strategies Work Best?"; "When Does Education and Training Pay Off?"; and "Implications for Federal, State, and Local TANF Policies." As Congress considers legislation in 2003 to reauthorize TANF, decisions it makes regarding access to education and training may profoundly impact the long-term success of welfare reform. Steps the federal government can take to help increase access to and successful participation in high quality education and training include easing the current restrictions on counting education and training participation toward federal work requirements; allowing sufficient time for welfare recipients to move through adult basic education and job training to obtain occupational certificates; and offering incentives to states to provide support services and work-study positions to low income parents who are students. Steps that state and local governments can take include establishing clear links between basic education, English as a Second Language, and job training; providing intensive services and closely monitoring progress; and establishing training options for those with low skills. (Contains 83 endnotes.) (SM)

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TABLE OF CONTENTS

EXECUTIVE SUMMARY 1

1. WELFARE RECIPIENTS, SKILLS, AND EMPLOYMENT 5

2. WHICH WELFARE-TO-WORK STRATEGIES WORK BEST? 11

3. WHEN DOES EDUCATION AND TRAINING PAY OFF? 17

4. IMPLICATIONS FOR FEDERAL, STATE AND LOCAL TANF POLICIES 23

ENDNOTES 27

EXECUTIVE SUMMARY

Federal welfare funding, through the Temporary Assistance for Needy Families (TANF) block grant, gives states unprecedented flexibility to help low-income parents move into employment. While states are generally given broad authority to craft their own approaches for meeting the goals of the legislation, the law discourages states from allowing welfare recipients to participate in education and training programs. Specifically, the law limits the extent to which education activities count toward federal work participation requirements, effectively restricting full-time education and training to 12 months and capping it at no more than 30 percent of TANF participants.

These TANF restrictions on education and training are at odds with recent research findings:

- **SKILLS ARE STRONGLY LINKED TO SUCCESS IN THE LABOR MARKET.** Basic skills and educational credentials matter generally for success in the labor market, and welfare recipients often have low skills that hinder their efforts to find and keep employment and earn enough to support their families.

- **THE MOST SUCCESSFUL WELFARE-TO-WORK PROGRAMS INCLUDE EDUCATION AND TRAINING AS WELL AS OTHER SERVICES.** Research unequivocally shows that the most successful welfare-to-work programs focus on employment but make substantial use of education and training as well as job search and other employment services. Focusing on just job search or basic education is not nearly as successful, especially over the long term.

- **JOB TRAINING AND POSTSECONDARY EDUCATION CAN LEAD TO HIGHER EARNINGS IN THE LONG RUN.** Helping low-income parents increase their skills through job training and other postsecondary education pays off in the labor market. Even those with lower skills can benefit from job training, if adult basic education programs provide a substantial number of weekly instructional hours, close attention is paid to quality, and basic education is linked to job training and to employment.

Moving through basic education and job training can take a substantial amount of time—more than a year on average—yet pays off much more than basic education alone.

FEDERAL TANF POLICIES

As Congress considers legislation in 2003 to reauthorize the TANF block grant, the decisions it makes concerning access to education and training are likely to have a profound impact on the long-term success of welfare reform. Some important steps can be taken to increase access to and successful participation in high-quality education and training:

- **EASE SOME OF THE CURRENT RESTRICTIONS ON COUNTING EDUCATION AND TRAINING PARTICIPATION TOWARD FEDERAL WORK REQUIREMENTS.** States cannot achieve successful, long-term employment outcomes if they are discouraged from allowing TANF recipients to upgrade skills as part of a comprehensive employment program.

- **ALLOW SUFFICIENT TIME FOR WELFARE RECIPIENTS TO MOVE THROUGH BOTH ADULT BASIC EDUCATION AND JOB TRAINING TO OBTAIN OCCUPATIONAL CERTIFICATES.** While it can take longer on average to complete both basic education and training than the current 12 months that such activities count toward TANF work rates, it is a worthwhile investment. The economic payoff is much larger than basic education or job search activities alone.

- **MAKE IT EASIER TO BALANCE WORK, FAMILY, AND SCHOOL BY KEEPING THE OVERALL REQUIRED HOURS OF PARTICIPATION AT A REASONABLE LEVEL.** The U.S. Department of Education finds that the more hours postsecondary students work, the larger the negative impact on their grades and ability to stay in school.

- **OFFER INCENTIVES TO STATES TO PROVIDE SUPPORT SERVICES AND WORK-STUDY POSITIONS TO LOW-INCOME PARENTS WHO ARE STUDENTS.** States should be encouraged to provide services and job opportunities through TANF that better enable low-income workers to balance work, school, and family. Congress should also examine in its reauthorization of the Higher Education Act how federal financial aid policies can better support low-income workers in school.

- **ENCOURAGE STATES TO PROVIDE JOB RETENTION AND ADVANCEMENT SERVICES, AND PROVIDE FEDERAL GRANTS TO BUILD TRAINING PROGRAM CAPACITY IN PARTNERSHIP WITH EMPLOYERS.** Employment retention and advancement should be part of TANF's goals, and federal grants should be given to spur the creation of public-private partnerships that help unemployed and low-income workers upgrade their skills, especially at the worksite and during work hours.

STATE AND LOCAL TANF POLICIES

States and localities can use the flexibility in TANF to improve access to and quality of employment-related basic education, English as a second language (ESL) classes, and job training services not only for welfare recipients but for other low-income workers as well. States and localities can take the following steps:

- **ESTABLISH CLEAR LINKS BETWEEN BASIC EDUCATION, ESL, AND JOB TRAINING.** This can be done through funding and performance measure mechanisms that reward programs for facilitating transitions and creating "bridge" programs that quickly prepare adults to enter job training.

- **MAINTAIN A CLOSE CONNECTION BETWEEN EDUCATION AND TRAINING AND EMPLOYMENT.** Education and training should be followed quickly with strong job search and job development efforts. Obtaining better quality jobs should be a key focus throughout education, training, and job search services.

- **PROVIDE INTENSIVE SERVICES AND CLOSELY MONITOR PROGRESS.** Programs should offer a substantial amount of instruction each week so that individuals can complete them quickly. Monitor progress closely and reassess and possibly reassign those who are not participating successfully.

- **ESTABLISH TRAINING OPTIONS FOR THOSE WITH LOW SKILLS.** Expand the capacity of programs to provide occupational training to those with low basic skills and/or limited English who may not gain access to existing programs. In particular, more programs are needed that combine adult basic education and English language services with occupational training.

WELFARE RECIPIENTS, SKILLS, AND EMPLOYMENT

In general, basic skills and educational credentials are critical for labor market success, particularly if individuals are to find higher quality jobs and experience substantial earnings growth. While many welfare recipients have found jobs under TANF, their annual earnings are typically low and grow modestly over time, in large part because their low skill levels and lack of educational credentials consign them to low-wage jobs. Further, those with low educational attainment and low skills are more likely than other recipients to remain on welfare and unemployed or to return to welfare after finding and then losing a job.

- **There is a strong demand for cognitive skills by employers, even in entry-level jobs. In contrast, many welfare recipients lack both the skills and credentials needed for success in the labor market.**

Many jobs in today's labor market require a certain level of skills, credentials, or both. A survey of over 3,000 employers about entry-level jobs available to workers without a college degree found that most jobs require the performance of one or more cognitive tasks, such as reading and writing paragraphs, dealing with customers, doing arithmetic, and using computers.[1] Most employers in this study required credentials, such as high school diplomas and general work experience, and some also required previous job training. Another study found that those with the skill levels of a typical high school dropout will qualify for just 10 percent of all new jobs between 2000 and 2010, while those with the skill levels of a typical high school graduate will qualify for only 22 percent of these new jobs.[2]

The skills that employers want stand in stark contrast to the actual skills and credentials of parents receiving welfare. Low basic skills are one of the most com-

mon barriers to employment faced by welfare recipients.[3] One national study found that 60 percent of all welfare recipients, and 81 percent of recipients without recent work experience, have low basic skills, compared to 30 percent of full-time workers.[4] Another national survey, conducted before TANF was enacted, found that nearly two-thirds of welfare recipients scored in the bottom fourth of all women their age on a basic skills test called the Armed Forces Qualifying Test. Half of those parents—one-third of all welfare recipients—had basic skills lower than 90 percent of other women their age.[5]

The educational attainment of mothers on cash assistance also remains well below average. Government data indicate that 45 percent of the mothers who received TANF in 1999 had completed high school or received a GED.[6] In comparison, 87 percent of all American women 18 to 54 years of age had completed high school or received a GED.[7] In addition, some of those welfare recipients with a high school diploma have low basic skills despite their credential. A national study found that welfare recipients have substantially lower skills than other adults with the same level of formal education.[8]

Not surprisingly, given their low skills and educational levels, welfare recipients generally fare poorly in the labor market. Many who have left welfare are working at low-wage jobs with limited benefits.

While many welfare recipients left welfare for work under the 1996 welfare law, most of these individuals are not faring well in the labor market. One study with a nationally representative sample found that those who left TANF for work in 1999 had a median wage of $7.15 per hour.[9] Moreover, individuals who leave welfare for work are unlikely to receive employer-provided health care coverage or paid sick or vacation leave. In the same study, only about one-third of employers offered health insurance. About 52 percent of those who left welfare in 19[illegible] had incomes below the poverty level. Many of these individuals are poor because their hourly wages are low and because they are not working full-time and year-round.[10] Studies from individual states have reached similar findings.[11]

A closer examination of the jobs held by current and former welfare recipients makes it clear why their earnings are so low. One study analyzed the type of employment obtained by individuals who left welfare for work from 1995 to 1997. More than 40 percent of the jobs were in service occupations and 17 percent were in administrative or clerical positions, traditionally low-paying fields that require only minimal skills. While wages are generally higher in managerial, professional, or machine operator fields, fewer than one-quarter of TANF recipients managed to find jobs in these better paying occupations.[12]

For some recipients, a lack of credentials and low basic skills contribute to chronic unemployment. Several studies have shown that individuals with high school diplomas are more likely to leave TANF for work,[13] while those with the lowest skills have the least connection to the labor market. One pre-TANF study found that women with extremely low basic skills (lower than 90 percent of women their age) were more likely to be disconnected entirely from the workforce. Forty-four percent of women with extremely low basic skills had not worked for most of the two-year period studied, compared with just 15 percent of those with moderately low skills. In contrast, less than 10 percent of higher skilled women were out of the labor market that long.[14]

- **Welfare recipients experience little wage growth over time. Wage growth is restricted because those with low skills face limited opportunities for upward mobility.**

Research conducted prior to TANF found that parents receiving welfare who enter employment experience high rates of job loss with little wage growth. Earnings grow, but this growth is due principally to working more hours or weeks in a year rather than to earning significantly higher wages.[15] Recent studies of individuals who leave welfare provide little information concerning employment retention and advancement; the studies with some longitudinal data typically suggest some earnings growth over time, but median earnings for adults who have left assistance remain very low—about $10,000 annually.[16] A national study that tracked young women for 10 years after leaving welfare sheds some light on prospects for long-term earnings growth—it found that while earnings increased significantly in the first five years, they plateaued after that, averaging only about $13,000 in the tenth year after leaving welfare.[17]

Many former welfare recipients and other low-wage workers do move up the job ladder, but education credentials and skills, rather than experience, are increasingly the most important determinant of wages.[18] One national study of young welfare recipients found that each year of schooling beyond high school increased wages by about 7 percent; other studies find a similar link between postsecondary education and wages.[19] Overall, the more education a woman acquires, the more she earns: 1999 Census data show women with an associate degree earn more than twice as much as those without a high school diploma (about $24,000 annually compared to about $11,000) and 37 percent more than those with only a high school diploma (who earn about $17,000).[20] And since the late 1970s, workers without a college degree have had fewer opportunities for wage increases than those with a degree.[21] A recent national study found that,

among women who stay with the same employer, those without a high school diploma see annual wage increases of less than 1 percent (0.7 percent); those with a high school diploma about twice that (1.4 percent); while the wages of those with a college degree grow at five times the rate of those without a high school diploma (3.6 percent annually).[22]

Higher basic skills are also linked to higher wages over time. One pre-TANF study found that those with basic skills test scores in the top three-fourths of all scores earned about 8 percent more per hour in the fourth and fifth years after leaving TANF than those with scores in the bottom fourth.[23] Other studies find a similar link between skills and wage growth.[24] Few studies specifically address whether welfare recipients with low skills and limited education have difficulty advancing in the job market based on work experience alone. Preliminary evidence suggests, however, that while many low-wage workers advance in the labor market, the ones who remain in jobs with little or no earnings growth for long periods of time tend to be less educated and disproportionately female, features shared by the welfare population as a whole.[25]

The limited occupational mobility of low-skilled women may partly reflect the types of jobs these women hold.[26] Occupations offering workers without some college education the greatest wage potential, such as machinist, equipment repairer, and truck driver, tend to be held by men.[27] While sales and administrative/clerical jobs can be better paying for those who work their way up to supervisory positions, only a small portion of these jobs are supervisory—so few can expect to attain such positions. In general, unless low-educated females work in nontraditional jobs or pursue postsecondary education and training, their upward mobility is quite limited.[28]

Research also suggests that welfare recipients have stronger earnings potential if they start at jobs with higher wages.[29] In one pre-TANF study, the average wages of former welfare recipients in the top fourth of the wage distribution grew significantly over five years, even after controlling for skills, education credentials, work history, type of jobs, and personal factors. By contrast, the average wages of those in the bottom fourth did not increase at all.[30] Other studies have found that recipients with higher wages initially were more likely to stay employed and work more over a five-year period.[31] However, one study looking at lower skilled workers more generally did not find lower rates of wage growth at the bottom of the wage distribution.[32]

- **Three at-risk groups—those individuals who remain on welfare and unemployed, those who leave TANF without finding work, and those who leave TANF but return to the rolls—have low education and skill levels.**

Because caseloads have declined dramatically since the enactment of TANF, concerns have been raised that the group still receiving welfare may be more disadvantaged and face more difficult challenges in moving to work. When several studies found few differences between those remaining on the rolls after TANF as compared to those on the rolls before the law took effect,[33] some concluded that more disadvantaged families, with low education and skill levels, are finding jobs at the same rate as those with higher skill levels.

A closer look at the data, however, shows that focusing only on the characteristics of those receiving welfare masks the troubling experiences of those with low education and skill levels. There are two reasons for this. First, primarily because of increased earned income disregards under TANF, which allow more individuals to combine welfare payments and job earnings, some of the more educated and skilled individuals stay on welfare when they are working.[34] Several studies have found that those on welfare and working are similar to women who are off welfare and working.[35] Second, some families with more severe barriers are unable to meet work requirements and comply with other rules and mandates and are sanctioned off the rolls.[36] This means some disadvantaged families are leaving the rolls without finding employment.

What is more important to look at, then, is who is working or not, regardless of welfare status. Individuals who are struggling to enter and stay in the workforce are concentrated in three groups:

- ON TANF AND NOT WORKING. Those families who remain on the rolls and are not working have predominantly low education and skill levels. Several studies have found that TANF recipients who are *not* working have significantly lower education levels than those who are working—even though both are on welfare.[37] For example, one study of welfare recipients in Michigan found that among those on welfare and *not* working, 46 percent did not have a high school diploma, compared to 32 percent of those on welfare and working. Thirty-three percent had low skill levels, compared to 14 percent of those on welfare and working.[38]

- **OFF TANF AND NOT WORKING.** Due to sanctions and other reasons, not all families who leave TANF are working—and this group also has low education and skill levels. For example, one study in Illinois found that 66 percent of those who left welfare with a job had a high school diploma, while only 52 percent of those who left TANF without a job had one.[39] Several other studies have found that individuals who leave welfare without finding employment face many of the same barriers as those who remain on TANF and are not working, including low education and skill levels.[40]

- **RETURNING FORMER RECIPIENTS.** A third group is welfare recipients who find employment initially, but then lose their jobs and return to welfare. Studies have consistently found that about one-fifth of those who leave TANF return to cash assistance.[41] The group returning to welfare appears to be a particularly disadvantaged group, with low education levels, while those with higher education levels are more likely to stay employed. For example, in one national study of those who left welfare and returned, 38 percent had less than a high school education compared to 27 percent of those who were working and off TANF.[42]

There are also early warning signs that individuals leaving welfare more recently may find it more difficult to succeed in the labor market than those who left earlier. A study in Wisconsin, one of the first states to implement welfare reform, finds that a cohort who left welfare during 1997 had lower earnings than those who left in 1995, an outcome attributed to the lower education levels of this second group.[43]

Overall, basic skills and credentials are critical for employment and particularly for advancing to higher paying jobs. There are also indications that individuals who are not working (both on and off TANF) and those who return to the welfare rolls will face difficulties finding lasting employment, in large part due to their low education and skill levels. Because welfare recipients have low skills, if they are to find jobs, move to better jobs, and move out of poverty, strategies to upgrade basic and job skills will be required.

2 WHICH WELFARE-TO-WORK STRATEGIES WORK BEST?

The previous chapter highlights the importance of increasing skills and educational attainment if welfare recipients are to ultimately succeed in the labor market. Employment services for welfare recipients have been evaluated extensively using random-assignment methodology,[44] and these studies provide important lessons on how to most effectively provide these services.

- **The most successful welfare-to-work programs—those that increased employment and earnings on a sustained basis—are those that provide a range of services, including job search but also education and training. Recipients typically participated in just one activity at a time.**

Evaluations of numerous welfare-to-work programs have consistently shown that a "mixed strategy"—one that provides education and training as part of a program whose central focus is employment—has been the most effective in increasing employment and earnings, reducing welfare receipt, and sustaining that success over time.[45] The latest and most comprehensive evaluation in this area is the National Evaluation of Welfare-to-Work Strategies (NEWWS), which studied 11 sites in the mid-to-late 1990s using a random-assignment research design.[46]

One of the sites in the NEWWS evaluation—Portland, Oregon—produced employment and earnings impacts that are among the largest ever seen in welfare-to-work programs. As discussed below, the program focused on employment, especially in higher paying jobs with benefits, and provided a range of services that included education and training. The first activity varied for each individual depending on her circumstances, and recipients generally only participated in one activity at a time.

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The program resulted in a 21 percent increase in employment, a 25 percent increase in earnings, and a 22 percent reduction in the time spent on welfare compared to control group members.[47] These impacts far surpassed the other NEWWS sites as well as results from other evaluations, for both high school graduates and non-graduates. The Portland program also resulted in the largest improvements in job quality—program enrollees experienced a 13 percent increase in hourly wages and a 19 percent increase in employer-provided health insurance—and was one of only four sites in NEWWS that had any impacts in this area.[48] Finally, it was also one of the few sites in the evaluation that increased employment stability, with a 14 percent increase in the proportion employed in all four quarters of the last year of the study.[49]

Other evaluations have shown that programs that provide a range of services—primarily education, training, and job search—produce the best results. Most notably, the Riverside, California, GAIN program, which operated in the late 1980s, had a strong employment focus but also allowed participation in education activities (60 percent participated in education or training) and produced impacts similar to Portland.[50] In addition, both the San Diego SWIM program and the Baltimore Options program, which also operated in the 1980s, produced substantial earnings impacts through job search as well as education and training.[51] Except for the San Diego SWIM program, these mixed-service programs have made either limited or no use of unpaid work experience or community service activities (where individuals work in unpaid public or non-profit positions in exchange for their cash grant).

- **The Portland program substantially increased participation in education and training programs—particularly job training and other post-secondary activities—and strongly emphasized job quality while maintaining a clear employment focus.**

What made the Portland program so effective? Several features of the Portland program appear to have contributed to its impressive outcomes.

Program activities included education, training, life skills, and job search. In Portland, those who were most work-ready received help in finding good jobs—ones that paid more than minimum wage, had benefits, and were full-time—while those with less education and work experience typically participated in life skills, education and training, and job search activities.[52] Overall, the Portland program produced a 23 percent increase in the use of edu-

cation and training compared to the control group. For those with a high school diploma, the program primarily increased participation in postsecondary education and training. Over half of this group attended a community, two-year, or four-year college at some point in the five years after entering the program—a 66 percent increase as compared to a control group. For those without a high school diploma, the program increased the use of both basic education and job training. GED preparation classes were offered to those who staff thought had a good chance of attaining a GED certificate relatively quickly, and, as discussed below, some of these individuals went on to additional education and training programs after receiving their GEDs. It should be noted that while education and training were common activities, job search was also used extensively—the program resulted in an 84 percent increase in participation in this activity. Overall, the program was very balanced in its use of job search and education and training—over five years of follow-up in Portland, 68 percent participated in education or training and a similar share (65 percent) participated in job search.[53]

TAILORED SERVICES. The program did not use a "one-size-fits-all" approach but rather tailored services to individual needs and circumstances. While some enrollees attended job search activities (as in other typical job search-focused programs), others were initially assigned to education or training. Subsequent activities were also individually tailored, although those who completed the life skills program were most likely to participate in education and training; job search was common for those who completed education and training. Further, there was no standard hourly participation requirement; while staff worked intensively with recipients to help them participate as much as possible, expectations for hourly participation were tailored to each individual.[54]

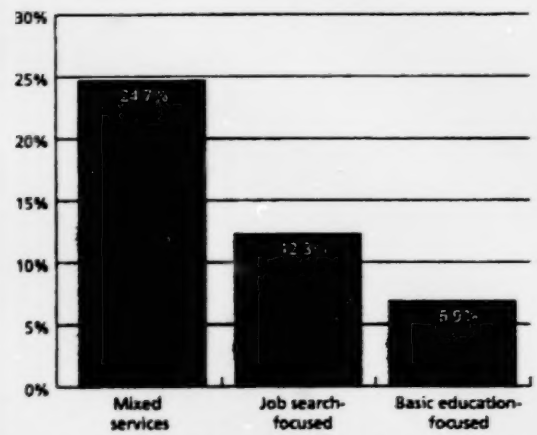
EMPHASIS ON JOB QUALITY. There was a strong emphasis on finding high-quality jobs. In a departure from other typical job search-focused programs, job search participants in Portland were counseled to wait for a good job, as opposed to taking the first job offered. Education and training was also encouraged as a means of enhancing employability—specifically as a means of obtaining jobs with higher wages and benefits. The focus on job quality was reflected in program performance standards that encouraged staff to promote higher paying jobs. The performance standards included a target for the average placement wage, which was always much higher than the state minimum wage (for example, in 1994, Oregon's minimum wage was $4.75 per hour and the placement wage target was $6.00 per hour).[55]

- **The Portland program performed better than programs primarily focused on job search—impacts were larger and longer-lasting, persisting even five years later.**

Mixed-service programs that include education and training have consistently outperformed job search-focused programs, which primarily provide job search assistance. The recent NEWWS evaluation included several sites that focused exclusively on employment and, unlike the Portland program, did not provide a mix of services. These job search-focused programs increased employment and earnings and reduced welfare payments, but by substantially less than the Portland program. Earnings gains in job search-focused programs evaluated ranged from 8 to 17 percent ($1,500 to $2,500), and the reduction in months on welfare ranged from 8 to 14 percent.[56] (Portland participants experienced a 25 percent increase in earnings and a 22 percent reduction in the time spent on welfare.) (See Figure 1.)

FIGURE 1

Average Increase in Earnings Over Five Years for Three Welfare-to-Work Strategies



Source: Hamilton, G., Freedman, S., Gennetian, L., Michalopoulos, C., Walter, J., Adams-Ciardullo, D., et al. (2001). *How effective are different welfare-to-work approaches? Five-year adult and child impacts for eleven programs.* Washington, DC: U.S. Department of Health and Human Services, Administration for Children and Families and Office of the Assistant Secretary for Planning and Evaluation; and U.S. Department of Education. Available at www.mdrc.org.

Another striking difference between Portland and the job search-focused programs in the NEWWS evaluation is that Portland continued to produce unusually large earnings impacts in the fourth and fifth years of follow-up, while impacts in most of the job search-focused sites in the NEWWS evaluation disappeared over the long run.[57] This is because job search-focused programs achieve their results by helping people work more, rather than by helping them prepare for better jobs or helping them keep jobs longer. Consequently, the impact of these programs tends to be largest in the first year or two and then diminish over time, as many program members lose the jobs they find initially and do not earn more while employed. At the same time, many of the welfare recipients assigned to the control group (which did not

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receive program services) eventually found on their own the same kinds of jobs as recipients enrolled in the program.[58] In contrast, the initial investments in education and training made in Portland appeared to pay off over time, as individuals found higher paying jobs and stayed employed.

Past evaluations have shown a similar result, with mixed-service programs producing longer lasting impacts than those that provided only job search assistance.[59] For example, the earnings impacts in the Baltimore Options program also grew over time and did not diminish like many of the other programs evaluated. This result was attributed to the fact that the program helped individuals find higher paying jobs than they would have without its services.[60] In addition, Portland and other mixed-service programs have performed far better than programs offering primarily work experience—these programs have resulted in minimal gains in employment and earnings.[61]

The Portland program performed better than programs that were primarily focused on adult basic education (rather than job training or postsecondary education).

Basic education—GED preparation programs, adult basic education programs for those below an eighth grade level, and ESL programs—has been the most common activity in welfare-to-work programs that emphasizes skill development, primarily because of the low skills of welfare recipients. Most of these basic education-focused welfare-to-work programs operated prior to the implementation of TANF when there was less of an overall focus on employment in these programs. Basic education-focused programs that were evaluated before TANF typically did not have strong links to employment or to job training.

A review of welfare-to-work evaluations shows that earnings gains from these basic education-focused programs have been limited, with few performing better than mixed-service or job search-focused interventions.[62] For example, in the NEWWS evaluation, effects were smaller for the basic education-focused programs than for the job search-focused programs, with earnings gains in the basic education programs ranging from about 4 to 13 percent ($800 to $2,000) and reductions in the time spent on welfare ranging from 4 to 14 percent. In addition, the basic education-focused programs did not improve job quality and were more expensive to operate. And, as with most job-search focused programs, their impacts disappeared over the long run.[63]

Evaluations of basic education-focused welfare-to-work programs show that they did increase the number of welfare recipients who got an education credential (in

most cases a GED, but some high school diplomas as well).[64] However, a majority of basic education participants did not earn a GED. In addition, few of the programs evaluated increased education test scores. Just two of 12 sites that measured education gains for program enrollees found impacts on test scores.[65]

The Portland program, which produced substantially larger employment and earnings impacts than basic education-focused programs, also increased participation in basic education and receipt of GEDs for high school non-graduates. However, basic education services in Portland were provided intensively within a program that emphasized employment and job quality. Importantly, as discussed in the next chapter, individuals in basic education often participated in other services before or after, particularly job training, life skills, and job search activities.

3 When Does Education and Training Pay Off?

There is a growing body of evidence pointing to the importance of job training and other postsecondary education in producing earnings gains and improving job quality for welfare recipients. Even those without high school diplomas can benefit if basic education is closely linked to job training.

- **Job training and other postsecondary education can produce substantial employment and earnings gains, even for those with lower skills, if basic education and training are closely linked.**

The mixed-strategy program in Portland, which dramatically increased earnings and job quality, increased the proportion of non-graduates who obtained a high school diploma or GED *and* a second education or training credential (usually a trade license or certificate)—a result no other evaluated program has achieved. While the other education-focused sites in NEWWS did produce impacts on the receipt of GEDs or high school diplomas for non-graduates, none had an impact on receiving a trade license or certificate or on receiving a GED and another credential. None of the job search-focused programs had impacts on the receipt of any credential.[66] In addition, the three NEWWS sites that most increased hourly pay for non-graduates after two years of follow-up—Portland as well as Columbus, Ohio, and Detroit, Michigan—also boosted participation in job training or other postsecondary services for this group.[67]

The NEWWS evaluation also showed significant economic returns of job training or other postsecondary education for those without a high school diploma in a study of outcomes in three sites other than Portland.[68] This non-experimental analysis of the NEWWS data found that non-graduates in basic education activities had substantially larger increases in longer term earnings and self-sufficiency

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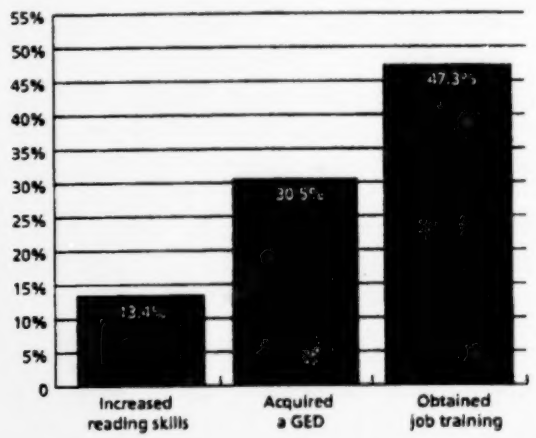
if they also participated in job training or other postsecondary programs. Those who participated in basic education and then went on to participate in job training had an additional $1,542 (or 47 percent) in earnings in the third year of follow-up compared to those who participated only in basic education (see Figure 2).[69]

Other studies have shown the benefits of job training when integrated with basic education. The Minority Female Single Parent Demonstration (MFSP), which operated in the 1980s, provided education, training, and support services to low-income single mothers. One program (the Center for Employment Training [CET]) allowed women to enter job training immediately, regardless of their educational attainment, and integrated remedial education directly into this training for specific jobs. The other sites used a more traditional, sequential approach in which women generally were placed initially in basic education and entered job skills training only after they attained certain academic skills. The study found that the integrated program produced a 22 percent increase in earnings, while the other sites offering sequential services had no or small effects. CET's integrated basic education and job training services also increased hourly wages.[70]

FIGURE 2

Increase in Earnings for Adult Education Participants in Welfare-to-Work Programs, by Educational Outcome



Source: Bos, J., Scrivener, S., Snipes, J., & Hamilton, G. (2001). *Improving basic skills: The effects of adult education in welfare-to-work programs*. Washington, DC: U.S. Department of Health and Human Services, Administration for Children and Families and Office of the Assistant Secretary for Planning and Evaluation, and U.S. Department of Education. Available at www.mdrc.org.

While programs with a strong postsecondary education and training component have generated positive results, an ongoing issue has been that few individuals without high school diplomas gain access to these activities. For example, in the three NEWWS evaluation sites showing large earnings gains from job training,

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only 15 percent of those who participated in basic education went on to this activity. (Note, however, that this sub-study did not include Portland.)[71] Low levels of participation for this group appear to stem from several factors, including ineffective linkages between basic education and training; training programs that are not open to high school dropouts or people with low literacy levels, including many welfare recipients; and work-first programs that discourage extended participation in education and training.

- **Job training and other postsecondary education are also important for high school graduates.**

Welfare-to-work evaluations indicate that job training and other postsecondary education can also pay off for high school graduates. As discussed above, the Portland program produced the largest earnings impacts of all the NEWWS sites for this subgroup and substantially increased high school graduates' participation in job training and other postsecondary education. Although the Portland program did not have any effect on college degree receipt, it did have a positive effect on the receipt of trade licenses or occupational certificates for this subgroup.[72] The education-focused program with the largest earnings impacts for high school graduates in the NEWWS evaluation (Atlanta) saw a substantial increase in job training participation and receipt of trade certificates for this group.[73] Finally, the Alameda County GAIN program in California, which operated in the 1980s and increased participation in job training by high school graduates, increased earnings by 12 percent—some of which was due to helping recipients find higher wage jobs.[74]

- **Helping people increase their basic skills and/or obtain a GED also pays off in the labor market but more modestly than job training and other postsecondary education.**

Non-experimental analysis from three sites in the NEWWS evaluation showed that program participants also increased their earnings if they obtained a GED or increased their basic skill levels. Receipt of a GED increased annual earnings in the third year of follow-up by $771 (30 percent). The analysis showed the earnings increase was due to having the credential itself, rather than any increase in basic skills that occurred in the process. Increased reading skills resulted in a smaller earnings gain of $354 (13 percent) in the same period. While these gains are significant, they are considerably smaller than the $1,542 increase in earnings that resulted when individuals went on to participate in job training after basic education (see Figure 2).[75]

- **For those with lower skills, it can take a substantial amount of time to participate in both basic education and job training, yet that combination pays off much more than basic education alone.**

The Portland program, which produced large impacts on receipt of educational and occupational credentials for those without a high school diploma, had a relatively short basic education component and encouraged individuals to go on to job training, typically in community college certificate programs. The total length of time needed to participate in both basic education and training at the college was about a year.[76]

Similarly, in the three NEWWS evaluation sites that saw large financial gains for those who participated in basic education and then went on to job training, the average length of time spent in these programs was 12.7 months. This is likely a significant underestimate of how long it typically took, as almost 30 percent were still enrolled in job training at the end of the two-year follow-up period.[77]

Other research from the NEWWS evaluation shows that gains in reading skills appeared to vary with the length of time spent in adult education programs. Participants who stayed in adult education shorter than a year did not improve reading skills measurably, whereas longer stays were associated with substantial gains comparable to those achieved through regular high school attendance. However, each month of basic education increased math scores during the first six months of participation only. Similarly, each month of adult education increased the likelihood of GED receipt during the first six months of participation but not thereafter.[78] Other studies have consistently shown that individuals who received a GED did so in a relatively short amount of time and were more likely to have entered with relatively higher skills and education levels—meaning they were probably very close to receiving the credential when they entered the program.[79]

- **The quality of basic education and training programs appears to be critical to their effectiveness, as does maintaining a strong connection to employment.**

Clearly, education and training are essential components of a successful welfare-to-work strategy that promotes not only initial employment but also long-term earnings gains and improved job quality. Research indicates that while adding skill-building activities to the mix of services improves impacts, it is critical that programs pay close attention to program quality. For example, one of the few programs to produce basic skills gains for welfare recipients (the San Diego

GAIN program) made a concerted effort to create high-quality services: it developed an entirely new system of learning centers just for GAIN students, which featured computerized instruction and specially trained staff; it provided off-campus locations; and it offered more hours of instruction per week than other regular basic education classes.[30]

Overall, drawing on the wide range of research that has been conducted, several features of education and training programs are important:

- **EMPLOYMENT FOCUS.** Provide education and training within the context of a program whose central focus is employment.
- **INTENSIVE SERVICES.** Ensure that programs are intensive (offering a substantial amount of instruction each week) and that individuals can complete them in a reasonable amount of time if they attend regularly.
- **CLOSE MONITORING OF PROGRESS.** Monitor progress closely to ensure that individuals are attending regularly and that those who are not are reassessed and possibly assigned to a different activity.
- **TRANSITIONS FROM BASIC EDUCATION TO JOB TRAINING AND JOB SEARCH.** Encourage transitions from basic education and ESL instruction to job training and other postsecondary education. Follow up training and education with strong job development and job search efforts.
- **JOB QUALITY.** Promote obtaining higher paying jobs with benefits as a central goal throughout education, training, and job search services.
- **TRAINING OPTIONS FOR THOSE WITH LOW SKILLS.** Increase the capacity of programs to provide high-quality, intensive basic education and ESL services with strong links to training so that more of those with lower skills can access them and obtain occupational credentials.

Other features of high-quality education and training programs include a well-defined mission; specially targeted classes to students who are welfare recipients; skilled, experienced teachers; an emphasis on staff development; varied instructional approaches; regular communication with welfare-to-work staff; and a high degree of teacher-student and student-student interaction.[31]

4 IMPLICATIONS FOR FEDERAL, STATE, AND LOCAL TANF POLICIES

As we have described, the welfare-to-work programs that have been most successful in helping parents work more and increase earnings over the long run are those that include substantial access to education and training, together with employment services. This is because skills and educational credentials are strongly linked to success in the labor market generally and because welfare recipients on average have low skills that hinder their efforts to earn enough to support a family. Job training and other postsecondary activities appear to be particularly important in helping welfare recipients qualify for higher paying jobs.

Yet both participation in and spending on education and training programs have declined substantially under TANF. Just 1.5 percent of federal TANF funds were spent on education and training in fiscal 2001, and only 5 percent of TANF recipients participated in these activities in the same year.[82] This curtailment in education and training, prompted in part by the federal law's disincentives to invest in these services, is not supported by the research, which unequivocally shows the benefits of a more balanced approach.

FEDERAL TANF REAUTHORIZATION

As Congress considers legislation to reauthorize the TANF block grant, the decisions it makes concerning access to education and training are likely to have a profound impact on the long-term success of welfare reform. Because education and training services are key to job advancement not only for those receiving welfare but also for other low-income parents, TANF reauthorization should include provisions that encourage states and localities to serve both groups and

to provide a spectrum of services that people can access when they are working and when they are unemployed. Toward this end, reauthorization should:

- **EASE SOME OF THE CURRENT RESTRICTIONS ON COUNTING EDUCATION AND TRAINING PARTICIPATION TOWARD FEDERAL WORK REQUIREMENTS.** There is clear evidence that providing a full range of employment, education, and training services is the most effective welfare-to-work strategy, and states should not be discouraged from providing any of these services.

- **ALLOW SUFFICIENT TIME FOR WELFARE RECIPIENTS TO MOVE THROUGH BOTH BASIC EDUCATION AND JOB TRAINING TO OBTAIN OCCUPATIONAL CERTIFICATES.** The newest research shows clearly that job training and other postsecondary education play a key role in boosting recipients' earnings. While it can take longer on average to complete both basic education and training than the current 12 months that such activities count toward TANF work rates, it is a worthwhile investment. The economic payoff is much larger than basic education or job search activities alone can provide.

- **MAKE IT EASIER TO BALANCE WORK, FAMILY, AND SCHOOL BY KEEPING THE OVERALL REQUIRED HOURS OF WEEKLY PARTICIPATION AT A REASONABLE LEVEL.** U.S. Department of Education research finds that the more hours postsecondary students work, the larger the negative impact on their grades and ability to stay in school. More than half of students who worked full-time reported it hurt their grades, as did a third of students who worked 16 to 20 hours. Given that most students in this study did not have children, the effects of too many work hours on educational outcomes for single parents could well be worse.[33]

- **OFFER INCENTIVES TO STATES TO PROVIDE SUPPORT SERVICES AND WORK-STUDY POSITIONS TO LOW-INCOME PARENTS WHO ARE STUDENTS.** States should be encouraged to provide support services and job opportunities that better enable low-income workers to balance work, family, and school. It is also important to clarify that student work-study is countable toward work rates. In addition, Congress should examine in its reauthorization of the Higher Education Act how federal financial aid policies can better support both unemployed parents and low-wage workers in school.

- **ENCOURAGE STATES TO PROVIDE JOB RETENTION AND ADVANCEMENT SERVICES.** Retention and advancement should be part of TANF's goals, and federal grants should be given to spur public-private partnerships that help low-income workers upgrade their skills at the worksite.

- **PROVIDE FEDERAL GRANTS AND TECHNICAL ASSISTANCE TO BUILD TRAINING PROGRAM CAPACITY IN PARTNERSHIP WITH EMPLOYERS.** This is important particularly for those with low skills and/or limited English so they can gain marketable occupational skills as well as improve basic and language skills.

STATE AND LOCAL TANF POLICIES

Existing TANF law discourages states from investing in education and training. Nevertheless, because falling caseloads have helped states meet federal work rates, currently states still have considerable flexibility to allow education and training and to structure services in ways that make training effective for participants and responsive to employer needs. In addition, TANF allows states to provide such education and training not only to welfare recipients but also to low-income workers more generally. Steps that states and localities can take to ensure high-quality education and training include:

- **ESTABLISH CLEAR LINKS BETWEEN BASIC EDUCATION, ESL, AND JOB TRAINING.** It is important to encourage transitions from basic education, ESL, and GED programs to job training and other postsecondary education. States can stress these transitions through funding and performance measure mechanisms that reward programs for facilitating transitions and by funding the creation of "bridge" programs that quickly prepare adults to enter job training.

- **MAINTAIN CLOSE CONNECTIONS BETWEEN TRAINING AND EMPLOYMENT.** States should ensure that programs follow education and training immediately with strong job search and job development efforts and focus on job quality throughout education, training, and job search efforts.

- **PROVIDE INTENSIVE SERVICES AND CLOSELY MONITOR PROGRESS.** States and localities should fund programs to offer a substantial amount of instruction each week so that individuals can complete them in a reasonable amount of time if they attend regularly. They should also reward programs for monitoring progress closely to ensure that individuals are attending consistently and that those who are not are reassessed and possibly reassigned to a different activity.

- **ESTABLISH TRAINING OPTIONS FOR THOSE WITH LOW SKILLS.** States and localities should seek to expand the capacity of programs to provide occupational training to those with low basic skills and/or limited English who are unlikely to gain access to existing programs. In particular, more programs are needed that combine adult basic education and English language services with occupational training.

- **DEVELOP STRATEGIES TO MAKE IT EASIER FOR INDIVIDUALS TO COMBINE WORK AND SCHOOL.** These strategies—including revising federal and state financial aid policies where necessary—include making available to low-income adults a combination of supportive services, financial aid, career counseling, and work-study employment opportunities.

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